

Message Text

LIMITED OFFICIAL USE

PAGE 01 BRASIL 10418 01 OF 04 211450Z
ACTION TRSE-00

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 USIA-06 INT-05 CEA-01 AGRE-00
DOE-12 HA-05 ACDA-12 AID-05 COME-00 EB-08 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 SOE-01
/150 W

-----115894 211610Z /40

P R 211330Z DEC 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 5285
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
USMISSION GENEVA
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 1 OF 4 BRASILIA 10418

USOECD

USMTN ALSO FOR USMISSION

DEPARTMENT PASS TREASURY

E.O. 11652: N/A
TAGS: OVIP (BERGSTEN, C. FRED), BR
SUBJ: TREASURY ASSISTANT SECRETARY BERGSTEN'S VISIT TO BRAZIL --
THE PUBLIC DIMENSION

1. SUMMARY: TREASURY ASSISTANT SECRETARY BERGSTEN'S VISIT
RECEIVED SUSTAINED AND IN-DEPTH COVERAGE IN THE BRAZILIAN
PRESS. IN THE EMBASSY'S JUDGMENT, THE VISIT WAS HIGHLY
SUCCESSFUL IN STIMULATING A PUBLIC DEBATE ON BRAZIL'S ROLE
IN THE WORLD ECONOMY, THE STAGE OF ITS DEVELOPMENT AND ABILITY
TO ASSUME INCREASED RESPONSIBILITY, AND THE ISSUES CREATED
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 10418 01 OF 04 211450Z

BETWEEN BRAZIL AND THE US BY BRAZIL'S EXTENSIVE USE OF PRO-
TECTIONIST DEVICES AND EXPORT SUBSIDIES. GOVERNMENT
SPOKESMEN, AS QUOTED IN THE PRESS, RESPONDED IN A LOW-KEY
IF AMBIVALENT FASHION, ALLEGING, FOR THE MOST PART,
THAT BRAZIL WAS ALREADY MOVING TOWARD A MORE OPEN
ECONOMY BUT UNWILLING TO MAKE COMMITMENTS ON SPECIFIC
MOVES. ALL THE MAJOR PAPERS ENGAGED IN THOUGHTFUL EDI-

TORIAL COMMENT, ALTHOUGH ULTIMATELY (AND NOT SURPRISINGLY) COMING DOWN IN FAVOR OF THE MAINTENANCE OF THE EXISTING SYSTEM OF EXPORT INCENTIVES AND IMPORT RESTRAINTS AND CONTINUED ALIGNMENT WITH OTHER LDCS. WE BELIEVE THAT THE VISIT LAID THE BASIS FOR FURTHER DIALOGUE BY ENHANCING PUBLIC AWARENESS AND DEFINING THE ISSUE OF BRAZIL'S PROTECTIONISM AND THE IMPLICATIONS OF ITS GROWING ROLE. THE OVERALL PRESS COVERAGE--EDITORIAL COMMENT AND REPORTING OF OFFICIAL GOB RESPONSES--SUGGESTS, HOWEVER, THAT THE US SHOULD NOT EXPECT DRAMATIC CHANGES IN BRAZILIAN ATTITUDES OR POLICIES IN THE NEAR FUTURE. ON THE OTHER HAND, THE WIDESPREAD COMMENT ON APPROPRIATE DIRECTIONS BRAZIL MIGHT PURSUE MAY PROMPT SOMEWHAT GREATER GOB RESPONSIVENESS TO US PRESENTATIONS THAN IN THE PAST. END SUMMARY.

2. ASSISTANT SECRETARY BERGSTEN'S VISIT TO BRAZIL, DECEMBER 5-11, RECEIVED EXTENSIVE AND IN DEPTH COVERAGE IN THE BRAZILIAN PRESS. REPORTING AND EDITORIAL COMMENT HEAVILY FOCUSED ON BRAZILIAN EXPORT PROMOTION AND PROTECTIONIST PRACTICES, BRAZIL'S ROLE IN THE INTERNATIONAL ECONOMIC SYSTEM, US HUMAN RIGHTS POLICIES IN INTERNATIONAL LENDING INSTITUTIONS (SEPTEL), US ATTITUDES TOWARD BRAZIL'S NUCLEAR PROGRAM, THE MEETING WITH FINANCE MINISTER SIMONSEN, AND MR. BERGSTEN'S SPEECH TO THE AMERICAN CHAMBER OF COMMERCE IN SAO PAULO. OTHER TOPICS PLAYED IN A RELATIVELY LESSER KEY BY THE PRESS INCLUDED PROSPECTS OF THE WORLD ECONOMY, OIL PRICES, INVESTMENT ISSUES, COMMODITIES, FINANCIAL AND LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 10418 01 OF 04 211450Z

TAXATION PROBLEMS, AGRICULTURAL DEVELOPMENT IN THE NORTHEAST, AND BRAZIL'S ADJUSTMENT TO THE OIL CRISIS. MR. BERGSTEN'S OWN PRE-VISIT INTERVIEW IN WASHINGTON, CARRIED BY GAZETA MERCANTILE DECEMBER 1 (SEPAIRGRAM), DID MUCH TO DEVELOP THE MAJOR THEMES AND OBJECTIVES OF THE VISIT AND ESTABLISH THE TONE FOR THE VISIT'S SUBSEQUENT TREATMENT IN THE BRAZILIAN PRESS.

3. OFCUSING ON ONE ASPECT OF THE VISIT, PRESTIGIOUS O ESTADO DE SAO PAULO (DECEMBER 11), CALLED THE VISIT THE MOST IMPORTANT ECONOMIC EVENT OF THE WEEK BECAUSE IT WAS SO INTIMATELY LINKED TO BRAZIL'S ECONOMIC FUTURE, HEAVILY DEPENDENT ON THE GROWTH OF EXPORTS OF MANUFACTURED GOODS OVER THE NEXT FEW YEARS. THE PAPER SAID THAT THE BRAZILIAN AUTHORITIES SOUGHT TO GIVE THE VISIT A ROUTINE CHARACTER BUT THAT THERE WAS NO DOUBT THAT BERGSTEN, IN HIS STATEMENTS IN BRASILIA AS WELL AS HIS SPEECH BEFORE THE AMERICAN CHAMBER OF COMMERCE IN SAO PAULO, HAD NOT COOPERATED TO SUSTAIN THIS IMPRESSION. BERGSTEN HAD MADE CLEAR THAT WASHINGTON DID NOT ACCEPT BRAZIL'S SYSTEM OF EXPORT INCENTIVES AND HAD PROPOSED THAT BRAZIL SUPPORT THE US IN THE GATT, IN THE DISCUSSION OF THE TREATMENT OF DEVELOPING COUNTRIES AS WELL AS THE GENERAL DEBATE ON THE REFORM OF THE TRADING SYSTEMS--THUS, INEVITABLY, DETACHING ITSELF FROM THE THIRD WORLD. ONE COULD NOT MINIMIZE

THE IMPORTANCE OF THE PROBLEM, THE PAPER SAID -- SINCE THE REDUCTION OF FISCAL EXPORT INCENTIVES WOULD FORCE A SEARCH FOR A SOLUTION WHICH--WHATEVER IT BE--WOULD BE BITTERLY PAINFUL TO THE BRAZILIAN ECONOMY.

4. IN ITS REPORTS ON MR. BERGSTEN'S APPEARANCE BEFORE THE AMERICAN CHAMBER OF COMMERCE IN SAO PAULO, THE BRAZILIAN PRESS FOCUSED ON THE CENTRAL THEME OF THE SPEECH--BRAZIL'S EMERGING ROLE IN THE INTERNATIONAL ECONOMY AND ATTENDANT INCREASING RESPONSIBILITIES. RECALLING MR. BERGSTEN'S STATEMENT THAT BRAZIL WAS NOW, AS A MINIMUM, A MEMBER OF THE INTERNATIONAL MIDDLE CLASS, FOLHA DE SAO PAULO (DECEMBER 9) STATED THAT ONE OF THE PRINCIPAL OBJECTIVES OF THE VISIT WAS TO CONVINCE THE BRAZILIAN AUTHORITIES OF THEIR NEW RESPONSIBILITIES, ESPECIALLY OF THE NEED TO ENGAGE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BRASIL 10418 01 OF 04 211450Z

THE COUNTRY IN THE DEFENSE OF THE REDUCTION OF PROTECTIONIST RESTRICTIONS. O GLOBO, QUOTING THE PASSAGE THAT "BRAZIL WAS, WITHOUT DOUBT, ADVANCING TO A PLACE IN THE VANGUARD OF ECONOMIC POWERS", SAID THAT HE HAD PROPOSED THE SEARCH FOR A NEW ECONOMIC

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 10418 02 OF 04 211513Z
ACTION TRSE-00

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 USIA-06 INT-05 CEA-01 AGRE-00
DOE-12 HA-05 ACDA-12 AID-05 COME-00 EB-08 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 SOE-01
/150 W

-----116161 211609Z /40

P R 211330Z DEC 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 5286
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
USMISSION GENEVA
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 2 OF 4 BRASILIA 10418

USOECD

USMTN ALSO FOR USMISSION

DEPARTMENT PASS TREASURY

RELATIONSHIP BETWEEN BRASILIAN AND AMERICANS. CORREIO BRAZILENSE, ON THE OTHER HAND, SUMMARIZED THE SPEECH AS SAYING THAT BRAZIL ALREADY WAS MENACING US INTERESTS; BERGSTEN HAD MADE CLEAR AND BRUSING THREATS AGAINST BRAZILIAN ECONOMIC POLICY, THE PAPER ALLEGED, MANIFESTING CONSTANTLY THE US GOVERNMENT'S CONCERN OVER THE POLITICAL AND ECONOMIC IMPORTANCE WHICH BRAZIL WOULD ASSUME IN THE VER NEAR FUTURE. MANY PRESS ACCOUNTS ALSO NOTED MR. BERGSTEN'S COMPARISON BETWEEN BRAZIL AT ITS CURRENT STAGE OF DEVELOPMENT AND THE JAPAN OF THE LATE FIFTIES, AND HIS STATEMENT THAT THE US WELCOMED BRAZIL'S TRANSITION TODAY WITH THE SAME GOOD WILL WITH WHICH IT HAD VIEWED JAPAN'S TRANSITION THEN; BUT THAT

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 10418 02 OF 04 211513Z

WE NOW RECOGNIZED THAT THE POLICIES AND PERFORMANCE OF AN IMPORTANT COUNTRY COULD THREATEN THE GLOBAL ECONOMY THROUGH THEIR REPERCUSSIONS IN OTHER COUNTRIES. THE TIME HAD COME TO ASK WHETHER AT A FUTURE DATE, BRAZILIAN POLICIES COULD HAVE SIMILAR CONSEQUENCES.

5. AS REFLECTED IN THE PRESS, THE OFFICIAL BRAZILIAN RESPONSE TO MR. BERGSTEN'S PRESENTATIONS WAS GUARDED AND MILDLY SKEPTICAL, WHILE STRESSING AREAS OF AGREEMENT. REPORTING THE MEETING WITH FINANCE MINISTER SIMONSEN UNDER THE HEADING "BERGSTEN PROPOSES RECONCILIATION". O ESTADO (DECEMBER 6) SAID THAT AFTER THEIR MEETING BOTH BERGSTEN AND SIMONSEN HAD STRESSED THE PRINCIPAL PURPOSE OF THE VISIT--TO EXCHANGE IDEAS OVER CURRENT QUESTIONS OF INTERNATIONAL TRADE AND TO SEARCH THROUGH DIALOGUE FOR POINTS OF CONVERGENCE, TO OPEN THE ROAD FOR THE NEGOTIATIONS ON A CODE OF EXPORT INCENTIVES IN THE GATT. BERGSTEN, THE PAPER SAID, HAD URGED BRAZILIAN OFFICIALS TO USE EXPORT INCENTIVES WITH MODERATION, MAKING IT POSSIBLE FOR THE UNITED STATES TO RESIST PROTECTIONIST PRESSURES FROM LABOR UNIONS. BERGSTEN ALSO ARGUED, CLAIMED JORNAL DO BRASIL (DECEMBER 7), THAT THE US NEEDED A DEFINITION OF THE BRAZILIAN POSITION IN ORDER TO NEGOTIATE A CODE OF EXPORT SUBSIDIES IN GENEVA. BERGSTEN LEFT BRASILIA, THE PAPER SUGGESTED, WITHOUT CONVINCING THE BRAZILIAN AUTHORITIES OF THE SUPPOSED NECESSITY TO MODIFY THE POLICY OF EXPORT INCENTIVES IN 1978. SPEAKING WITH REPORTERS AFTER THE MEETING, MINISTER SIMONSEN HAD SAID THAT THE NEW WAVE OF PROTECTIONISM, IF IT SHOULD COME, WOULD BE FACED "CASE-BY-CASE", I.E., IN A MANNER SIMILAR TO THE TREATMENT GIVEN RECENTLY TO SOYBEAN MEAL EXPORTED TO THE EUROPEAN ECONOMIC COMMUNITY.

ACCORDING TO PRESS ACCOUNTS, SIMONSEN ALSO TOLD THE PRESS THAT BRAZIL HAD BEEN GRADUALLY REDUCING AND ELIMINATING IMPORT RESTRICTIONS SINCE 1976, THAT THE PRIOR IMPORT DEPOSIT HAD BEEN REDUCED IN 1977 FOR A SERIES OF PRODUCTS, AND THAT BRAZIL COULD NOT SUDDENLY WITHDRAW THIS MEASURE BECAUSE OF THE IMPACT ON LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 10418 02 OF 04 211513Z

THE MONEY SUPPLY. REPORTEDLY THE OBSERVED THAT THE US, LIKE BRAZIL, HAD EXPORT SUBSIDIES--HE CITED AGRICULTURE--AND THAT IT WAS ESSENTIAL THAT IMPORTING COUNTRIES INSTITUTE COUNTER-VAILING DUTIES ONLY WHEN THEIR INDUSTRIES ARE PROVED TO BE INJURED. SIMONSEN REPORTEDLY NOTED THAT THE US OPPOSED THIS PROVISION, AS IT DID BRAZIL'S CALL FOR SPECIAL AND DIFFERENTIAL TREATMENT.

6. IN CONTRAST WITH THE JORNAL DO BRASIL'S NEGATIVE CONCLUSIONS, OTHER PAPERS (O ESTADO, CORREIRO BRAZILIENS, DECEMBER 6) HIGHLIGHTED BERGSTEN'S APPEAL THAT BRAZIL AVOID NEW PROTECTIONIST MEASURES AND MOVE IN THE RIGHT DIRECTION. STRESSING AREAS OF AGREEMENT, FOLHA DE SAO PAULO (DECEMBER 6) REPORTED ON THE TALKS UNDER THE HEADING QUOTE U.S. AND BRAZIL AGREE THAT INTERNATIONAL TRADE CODE IS NECESSARY END QUOTE. THE ARTICLE SAID THAT AFTER FIVE HOURS OF MEETINGS, INCLUDING LUNCH, QUOTE A CONSENSUS WAS ANNOUNCED BY SIMONSEN AND SECRETARY BERGSTEN..ON THE URGENT NECESSITY TO INSTITUTE WITHIN GATT AN INTERNATIONAL TRADE COD THAT WOULD REGULATE THE IMPOSITION OF PROTECTIONIST BARRIERS, INCLUDING THE STRUCTURE OF EXPORT INCENTIVE MECHANISMS END QUOTE.

7. REPORTING ON THE MEETING WITH PLANNING MINISTER REIS VELLOSO, JORNAL DE BRASILIA (DECEMBER 7) SAID THAT BERGSTEN HAD SOUGHT TO APPEAL WITH FLATTERY, BUT DEFINING BRAZIL AS AN EMERGING POWER AND A SERIOUS CANDIDATE FOR THE CLUB OF THE DEVELOPED. REIS VELLOSO, HOWEVER, HAD MANAGED TO AVOID MR. BERGSTEN'S TRAP, BY GIVING A HARSH REPORT ON THE GRAVE PROBLEMS CONFRONTING BRAZIL. ACCORDING TO GAZETA MERCANTIL (DECEMBER 7), THE MINISTER, CITING TRADE FIGURES, HAD STRONGLY DENIED THAT BRAZIL PRACTICED EXCESSIVE PROTECTIONISM; 78 PERCENT OF BRAZIL'S IMPORTS BETWEEN JANUAR AND OCTOBER HAD BEEN EITHER EXEMPT OR ENTERED THE COUNTRY UNDER REDUCED RATES. THE IMPORT DEPOSIT SCHEME WAS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 BRASIL 10418 02 OF 04 211513Z

ONLY A TEMPORARY MEASURE, THE MINISTER HAD STRESSED,

AND WAS NOT AIMED AT ANY PARTICULAR COUNTRY, WHEREAS
THE US HAD RESTRICTIONS AIMED AT SPECIFIC COUNTRIES.
AFTER THE MEETING, TALKING WITH REPORTERS
THE MINISTER REPORTEDLY SAID THAT BRAZIL WAS NOT RES-
PONSIBLE FOR THE US TRADE DEFICIT.
BRAZIL HAD HAD TRADE DEFICITS WITH THE US SINCE
1970 AND WOULD FINISH 1977 WITH A BILATERAL TRADE
DEFICIT OF ABOUT US DOLS 200 MILLION, WHICH WOULD HAVE

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 10418 03 OF 04 211514Z
ACTION TRSE-00

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 USIA-06 INT-05 CEA-01 AGRE-00
DOE-12 HA-05 ACDA-12 AID-05 COME-00 EB-08 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 SOE-01
/150 W

-----116175 211609Z /40

P R 211330Z DEC 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 5287
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
USMISSION GENEVA
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 3 OF 4 BRASILIA 10418

USOECD

USMTN ALSO FOR USMISSION

DEPARTMENT PASS TREASURY

BEEN HIGHER HAD THERE NOT BEEN A TEMPORARY INCREASE
IN COFFEE PRICES. IN ADDITION TO VELLOSO'S DEFENSE
OF BRAZIL'S STATUS AS AN LDC, CORREIO BRAZILIENSE
QUOTED AMBASSADOR GUERREIRO, AS SAYING THAT BRAZIL
CONSIDERS ITSELF A RAPIDLY DEVELOPING COUNTRY, BUT
STILL AN LDC, AND DOES NOT WANT TO BE TREATED
DIFFERENTLY FROM OTHER DEVELOPING COUNTRIES.

8. UNDER THE HEADING, "HAVE WE RECEIVED A MESSAGE FROM THE US," O ESTADO, DECEMBER 7, COMMENTED EDITORIALY ON THE RESULTS OF THE MEETINGS IN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 10418 03 OF 04 211514Z

BRASILIA. EVERYTHING INDICATED, THE PAPER SAID, THAT BERGSTEN'S LONG CONVERSATION HAD BEEN POSITIVE BUT NOT THAT IT HAD LED TO ANY AGREEMENT. BERGSTEN'S TRIP TO BRAZIL COULD BE CONSIDERED THE FIRST STEP IN A WIDER DEBATE ENDING IN THE GATT, WHICH WOULD FIX THE LIMITED OF A SPECIAL REGIME FOR THE DEVELOPING COUNTRIES WITH RESPECT TO EXPORT INCENTIVES. THE INTERVIEW WITH ASSISTANT SECRETARY KATZ (PUBLISHED BY THE PAPER THE PREVIOUS WEEKEND), O ESTADO SAID, CLEARLY INDICATED THAT BRAZIL'S FEAR OF THE UNITED STATES GOING PROTECTIONIST WAS FULLY JUSTIFIED AND THAT HE (KATZ) HIMSELF WAS CONCERNED OVER THIS POSSIBILITY. THERE WAS, ACCORDING TO THE ARTICLE, A SUBSTANTIAL DIFFERENCE BETWEEN THE US AND BRAZILIAN POSITIONS. BERGSTEN HAD ASKED THAT BRAZIL DEMONSTRATE ITS GOOD WILL. SIMONSEN HAD TAKEN THE OPPORTUNITY TO EMPHASIZE THAT IN CONTRAST WITH MANY INDUSTRIALIZED COUNTRIES, BRAZIL WAS REDUCING ITS PROTECTIONISM BY EXEMPTING MORE AND MORE PRODUCTS FROM THE COMPULSORY IMPORT DEPOSIT. BERGSTEN HAD OFFERED BRAZIL AN ALLIANCE TO DEFEND A COMMON POSITION IN THE GATT. HIS PROPOSAL CERTAINLY CONTAINED THE ELEMENTS OF A BARGAIN, BUT BRAZIL SHOULD NOT HOLD GREAT EXPECTATIONS THAT IT WOULD BE ABLE TO MAINTAIN FULLY ITS SYSTEM OF EXPORT INCENTIVES. THIS, HOWEVER, SHOULD REMAIN BRAZIL'S PRINCIPAL OBJECTIVE FOR THE COMING MONTHS, WITH THE HOPE THAT THE INDUSTRIAL COUNTRIES RECOVER ECONOMICALLY AND THUS CONVINCE THEMSELVES OF THE NECESSITY TO INSTITUTE AN ECONOMIC ORDER IN WHICH THE THIRD WORLD COULD HAVE A SPECIAL REGIME.

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 10418 03 OF 04 211514Z

9. JORNAL TO BRASIL, DECEMBER 8, SUMMING UP ITS ASSESSMENT, STRESSED THE CARTER ADMINISTRATION'S STAND AGAINST PROTECTIONISM. THE ADMINISTRATION, THE PAPER SAID, HAD DEMONSTRATED A REASONABLE DOSE OF COMPREHENSION FOR BRAZILIAN ARGUMENTS WHENEVER ACCUSA-

TIONS HAD BEEN RAISED -- IN MOST CASES, UNFOUNDED ONES --
THAT BRAZILIAN EXPORTS WERE BEING SENT INTO THE US
MARKET ON BOARD OF ILLEGAL TRADE PRACTICES. IT WAS
UNDENIABLE THAT BRAZIL VIOLATES FREE TRADE PRACTICES
AND, LIKE OTHER COUNTRIES, PROVIDES EXPORT INCENTIVES.
THE PRIOR DEPOSIT, HOWEVER, WAS A TEMPORARY MEASURE
DESIGNED TO NEUTRALIZE THE QUADRUPLING OF OIL
PRICES. THE PROGRAM OF INCENTIVES FOR MANUFACTURED
GOODS, ON THE OTHER HAND, SOUGHT TO BALANCE THE
RESULTS OF A LONG AND-- IN MANY CASES CONTROVERSIAL --
PROGRAM OF IMPORT SUBSTITUTION. THESE INCENTIVES THUS
AIMED AT CORRECTING BASIC STRUCTURAL DISTORTIONS IN
THE BRAZILIAN ECONOMY -- OVERVALUATION OF THE EXCHANGE
RATE AND THE INCREASED COST OF INPUTS IN THE MANU-
FACTURE OF EXPORTS. BRAZIL WAS NOT WEDDED TO AN
ILLEGAL EXPEDIENT TO TAKE ADVANTAGE, AS AN OCCASIONAL
EXPORTER, OF FORTUITOUS EXPORT OPPORTUNITIES.

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 BRASIL 10418 04 OF 04 211524Z
ACTION TRSE-00

INFO OCT-01 ARA-10 EUR-12 IO-13 ISO-00 CIAE-00 DODE-00
PM-05 H-01 INR-07 L-03 NSAE-00 NSC-05 PA-01
PRS-01 SP-02 SS-15 USIA-06 INT-05 CEA-01 AGRE-00
DOE-12 HA-05 ACDA-12 AID-05 COME-00 EB-08 FRB-03
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 STR-05 /149 W
-----116218 211607Z /42

P R 211330Z DEC 77
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC PRIORITY 5288
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO
USMISSION GENEVA
AMEMBASSY PARIS

LIMITED OFFICIAL USE SECTION 4 OF 4 BRASILIA 10418

USOECN

USMTN ALSO FOR USMISSION

DEPARTMENT PASS TREASURY

10. SUMMARIZING ITS BUREAU CHIEF'S IMPRESSIONS OF BERGSTEN'S BRASILIA INTERVIEW, GAZETA MERCANTILE, DECEMBER 7, REPORTED THAT THE BRAZILIAN AUTHORITIES SHOULD PREPARE FOR DIFFICULT TIMES IF THEY DID NOT MAKE SUSTAINED EFFORTS DURING 1978 TO REDUCE EXPORT INCENTIVES AND CONCESSIONAL CREDITS. BERGSTEN, THE PAPER SAID (DECEMBER 9), HAD CLEARLY SOUGHT TO STRESS US ATTITUDES IN SUPPORT OF FREE TRADE. THE ARGUMENTATION USED, HOWEVER, COULD NOT FAIL TO BE DISQUIETING. HE HAD RECALLED THE STRONG INTERNAL PRESSURES ON THE CARTER ADMINISTRATION TO LIMIT IMPORTS AND THE PROPOSALS FOR THE EXCLUSION OF CERTAIN BRAZILIAN PRODUCTS FROM GSP. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 BRASIL 10418 04 OF 04 211524Z

UP TO NOW, CARTER HAD DEFENDED BRAZILIAN INTERESTS AND AT NO TIME HAD BERGSTEN SUGGESTED A CHANGE IN US ATTITUDE. BUT HE HAD EMPHASIZED THAT PROOFS OF GOOD WILL BY BRAZIL WOULD MAKE MATTERS MUCH EASIER, AND HAS SUGGESTED THAT BRAZIL COOPERATE IN AVOIDING MEASURES WHICH COULD INJURE ITS OWN EXPORTS.

11. O ESTADO DE SAO PAULO, DECEMBER 10, EDITORIALY RETURNED TO WHAT IT CALLED "MR. BERGSTEN'S DANGEROUS SUGGESTIONS." RECALLING MR. BERGSTEN'S THESIS THAT BRAZIL FULLY PARTICIPATE IN THE MANAGEMENT OF THE GLOBAL ECONOMIC SYSTEM, ASSUMING AS A COUNTERPART NEW RESPONSIBILITIES, THE PAPER ASKED WHY BRAZIL SHOULD ACCEPT THIS PROPOSAL. NO ONE DENIED THAT THE BRAZILIAN ECONOMY WAS UNDERGOING IMPORTANT CHANGES WHICH DIFFERENTIATE IT GREATLY FROM THE MAJORITY OF THE OTHER UNDER-DEVELOPED COUNTRIES. IT WOULD BE IMPRUDENT, HOWEVER, THAT BRAZIL AT THIS MOMENT ABANDON THE POSITION THAT OPPORTUNITIES ON THE WORLD MARKET WILL BE EQUAL ONLY IF THE PARTNERS ARE RECOGNIZED TO BE OF UNEQUAL STRENGTH. THIS POLICY WAS, THE PAPER ARGUED, THE ONLY ONE CAPABLE OF GIVING BRAZIL SECURITY. BY ABANDONING IT BRAZIL WOULD ASSUME A TRULY ISOLATED POSITION, ONE IN WHICH IT WOULD NOT HAVE THE SUPPORT OF THE UNDER-DEVELOPED NOR THE ASSURANCE THAT IT WOULD IN FACT BE ABLE TO PARTICIPATE IN THE MANAGEMENT OF THE GLOBAL ECONOMIC SYSTEM.

12. EMBASSY ASSESSMENT. THAT THE BRAZILIAN RESPONSE TO ASSISTANT SECRETARY BERGSTEN'S THESIS WAS, IN THE FINAL ANALYSIS, SKEPTICAL AND DEFENSIVE IS IN ITSELF HARDLY SURPRISING. MR. BERGSTEN'S SUCCESS AND THE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 BRASIL 10418 04 OF 04 211524Z

IMPORTANCE OF HIS VISIT IS IN THE FACT THAT HE SUCCEEDED IN JOINING A PUBLIC DEBATE. THE COUNTRY'S LEADING PAPERS, THROUGHOUT HIS WEEK-LONG VISIT, CARRIED EXTENSIVE, AT TIMES VERBATIM REPORTS OF HIS STATEMENTS AND QUESTIONS ON BRAZIL'S EVOLVING ROLE IN THE WORLD ECONOMY, ITS ABILITY AND NEED TO ASSUME INCREASED RESPONSIBILITY, AND THE RELATIONSHIP BETWEEN ITS OWN ACTIONS AS A MAJOR TRADING COUNTRY AND THE US ADMINISTRATION'S ABILITY TO CONTAIN PROTECTIONIST PRESSURES IN THE US. MAJOR NEWS-PAPERS, FOR THE MOST PART, REPORTED US VIEWS CALMLY AND OBJECTIVELY AND DEVOTED THOUGHTFUL--IF ULTIMATELY, IN THEIR CONCLUSIONS, NEGATIVE--ANALYSIS AND COMMENT TO THE US THESIS. EQUALLY IMPORTANT, IN THEIR COMMENTARY AND REPORTING, BRAZIL'S MAJOR NEWSPAPERS LARGELY ACCEPTED THE TERMS IN WHICH MR. BERGSTEN HAD POSED THE ISSUE--BRAZILIAN PROTECTIONISM AND ITS CONTINUED APPROPRIATENESS TO BRAZIL'S CHANGED CONDITION, US RESTRAINT AND FORBEARANCE TO-DATE TOWARD BRAZILIAN COMMERCIAL PRACTICES, AND THE ADMINISTRATION'S OWN COMMITMENT TO FREE TRADE. THE PRINCIPAL ARGUMENTS RAISED BY THE BRAZILIAN PRESS AGAINST THE BERGSTEN PRESENTATION--THAT BRAZIL'S ECONOMY HAD NOT YET ATTAINED SUFFICIENT STRENGTH FOR THE ROLE URGED UPON IT, THE MAGNITUDE OF THE STRUCTURAL ADAPTATIONS INHERENT IN THE ABANDONMENT OF EXPORT INCENTIVES, AND THE CONSIDERATION THAT BRAZIL SHOULD NOT ABANDON ITS NATURAL ALLIES--ARE ALSO THOSE USED IN INFORMED BRAZILIAN CIRCLES AND, INDEED, WERE PRESENTED BY HIS INTERLOCUTORS IN THE OFFICIAL DISCUSSIONS. IN SUMMARY, WE BELIEVE THAT MR. BERGSTEN'S VISIT REINFORCED ALREADY GOOD US-BRAZIL COMMUNICATIONS ON ECONOMIC AND FINANCIAL MATTERS WHILE LAYING A SOLID BASIS FOR FURTHER DIALOGUE AND EFFORT, BOTH OF WHICH WILL BE ESSENTIAL TO ANY PROSPECTS FOR SUBSTANTIAL RESULTS IN THE TRADE FIELD IN THE COMING YEAR.

JOHNSON

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 21-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977BRASIL10418
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770476-0022
Format: TEL
From: BRASILIA USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771233/aaaabbil.tel
Line Count: 532
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 293616ff-c188-dd11-92da-001cc4696bcc
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 08-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 162721
Secure: OPEN
Status: NATIVE
Subject: TREASURY ASSISTANT SECRETARY BERGSTEN'S VISIT TO BRAZIL -- THE PUBLIC DIMENSION
TAGS: OVIP, BR, (BERGSTEN, C FRED)
To: STATE RIO DE JANEIRO
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/293616ff-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009